

SOLANO COUNTY GRAND JURY



Solano County & Cities: Purchasing and Procurement Procedures



2004-2005 Grand Jury Report

Issued: May 24, 2005

Solano County/Cities
Purchasing and Procurement Procedures
2004-/2005 Grand Jury Report

I. Reason for Investigation

The Grand Jury received a complaint from a vendor who had unsuccessfully bid on a County contract, concerning the procedures followed in awarding the contract. While investigating the complaint, the Grand Jury elected to review and compare purchasing procedures used by Solano County and by the seven Solano County cities (Benicia, Dixon, Fairfield, Suisun City, Rio Vista, Vacaville and Vallejo), focusing primarily on the bid process for services and goods.

II. Procedure

The Grand Jury:

- Interviewed the complainant
- Reviewed City of Benicia's Purchasing Ordinance and information provided by City Manager
- Reviewed City of Dixon's Purchasing Policy and Procedures and information provided by City Manager
- Reviewed City of Fairfield's Purchasing Policy and information provided by City Manager
- Reviewed City of Rio Vista's Procurement and Purchasing Procedures and information provided by City Manager
- Reviewed City of Suisun City's Administrative Directive and information provided by City Manager
- Reviewed City of Vacaville Purchasing Policies and Procedures Manual and information provided by City Manager
- Reviewed City of Vallejo's Municipal Code and information provided by Finance Director
- Interviewed Solano County General Services employees
- Reviewed Solano County Procurement and Purchasing Vendor information material
- Reviewed Solano County Procurement and Purchasing vendor file

III. Background

Every local agency is required under Government Code §54201-54205 to adopt purchasing policies and procedures, including bidding regulations. For cities and counties, these policies must be adopted by ordinance. In addition, there are detailed purchasing requirements for counties found in Government Code §25500 et seq. Public Works contracts and competitive bidding are regulated through the Public Contract Code.

There are many other detailed requirements for purchasing by public agencies. In general, these guidelines serve to establish efficient procedures for the acquisition of supplies, equipment and services at the lowest possible cost commensurate with quality and to establish administrative and financial controls.

The detail of the procurement process varies among the agencies. This report will focus on the process by which vendors bid on contracts for goods or services to be provided to the county or one of the seven cities.

IV. Findings and Recommendations

Solano County

Finding #1 - On July 27, 2004, Solano County replaced their Purchasing Policy Manual with the Purchasing and Contracting Policy Manual. The purpose was to ensure that both current laws and board policy were in line with the county's administrative practices and policies, to standardize the purchasing process and document contracting policies to be more user-friendly for all departments; to promote and improve departmental accountability; and to provide greater efficiencies in contracting and purchasing goods and services.

Recommendation #1 – None

Finding # 2 - The Solano County Board of Supervisors assigned the county administrator as the purchasing agent. The purchasing agent has the authority to approve professional/consultant services up to \$50,000 and for the purchase of goods up to \$100,000. Professional/consultant and purchase of goods beyond these amounts requires Board of Supervisor approval.

Recommendation #2 – None

Finding # 3 - The County Administrator has delegated purchasing authority to the General Services Department which is administered by Purchasing Services within the department. Within the Purchasing and Contracting Policy Manual are guidelines for the bid process. The amount of the bid determines which procedure is to be used.

- a. Formal Bid Process. When the estimated bid amount is \$25,000 or more, the requesting county department submits specifications to Purchasing Services. Purchasing Services prepares Requests for Proposals (RFP's) that include specifications, requirements and timelines. RFP's are advertised in print media and County webpage. Any change or alteration to announced RFP is strictly limited. Every effort is made to solicit no less than five bids. Bids are due and opened on the specified days and awarded in the Purchasing Services office. The formal bid process can be waived in such categories as emergency purchases, various services (advertising, insurance, utilities, travel), expert/professional services and sole source commodity or service.
- b. Informal Bid Process – For purchases between \$10,000 and \$25,000, all procedures remain the same except that Purchasing Services solicits no less than three quotes from bidders. This may take place by way of RFP's or by telephone solicitation.
- c. Procedures for purchases between \$5,000 and \$10,000 are at the discretion of Purchasing Services or the initiating department.
- d. Procedures for purchases less than \$5,000 are at the discretion of the relevant county department, usually through a purchase order procedure.

Recommendation #3a - All qualified vendors should be notified of formal and informal RFP's.

Recommendation #3b – The Grand Jury recognizes that there are situations where competitive bidding is not necessary or appropriate, as allowed for in Section 2.11 of the county's Purchasing & Contracting Policy Manual. However, the Grand Jury recommends that the Board of Supervisors, Purchasing Agent (County Administrator) and Department Heads use this exception as infrequently as possible, and only when the reasons for bypassing competitive bidding are clearly documented.

Finding #4 – The County solicits bids from a vendors' data base. The list is established by business owners contacting the County and providing information about goods and services that they are able to provide.

Recommendation #4 – Include on the County General Services webpage the "Doing Business in Solano County" form for vendors to input their business information so that a current and accurate data base will be in place for mailing procedure and available goods and services.

Finding #5 – Since the formal and sometimes informal bid process is time sensitive, ordinary mail may not be the most suitable method for vendors to correspond with bid materials. In the case of the complaint, the complainant had four different addresses on file with the county. Additionally, no mailing address was specified on letter head or business card as both contained the street and post office box number. The county sent bid documents to the correct address; however, the packet became mutilated and was not delivered.

Recommendations #5 – It would be in the best interest of vendors to insure all bid documents have been properly received by Purchasing Services. Certified mail (signature required) direct mail services or hand delivered bids are recommended. Vendors should regularly verify their business information recorded on the County information data base by contacting Purchasing Services.

Comments

General Services is in the process of updating various customer services. The adoption of the Purchasing and Contracting Policy Manual was the first step in improving Purchasing Services. The goal of the current Department Head is to expand information on the County web-page and improve service to vendors throughout Solano County.

City of Benicia

Finding #1 – In July 2003, the City of Benicia City Council adopted Purchasing Ordinances.

Recommendation #1 – None

Finding #2 – The Purchasing Ordinance gives authority to the City Manager to appoint a Purchasing Officer. The Purchasing Officer has general supervision of the purchasing program. The City Manager or the Purchasing Officer has the authority to purchase up to \$25,000 for materials, supplies and equipment and \$50,000 for services. The city council approves all others above \$25,000 and \$50,000.

Recommendation #2 – None

Finding #3 - Within the Procurement and Purchasing Ordinance are guidelines for the bid process. The amount of the bid determines which procedure is to be used.

- a. Formal Bid Process. When the estimated bid amount is between \$5,000 and \$25,000, the requesting department submits specifications to the Purchasing Officer. Written RFP's are prepared that include specifications, requirements and timelines. RFP's are advertised in print media when deemed appropriate. Any change or alteration to announced RFP is strictly limited. Bids are due and opened on the specified days and awarded in the Purchasing Officer's department. The same bid procedures apply when bid is over \$25,000 but award of bid is subject to council approval.
- b. Informal Bid Process – When bids are between \$1,000 and \$5,000, all provisions remain the same as the formal bid process except that the Purchasing Officer or designee solicits no less than three quotes from bidders.
- c. Procedures for purchases less than \$1,000 are at the discretion of the requesting department using a purchase order procedure.

Recommendation #3 -All formal RFP's should be advertised in the print media and on city web page.

Finding #4 – Each city department maintains a vendor list. The list is established by business owners contacting the city.

Recommendation #4 – Include on city web page, a form for vendors to input their business information so that a current and accurate data base will be in place for the bidding process.

City of Dixon

Finding #1 – In June 2000, the City of Dixon city council adopted Administrative Policy Instructions relating to Purchasing Policies and Procedures.

Recommendation #1 – None

Finding #2 – The Administrative Policy gives purchasing authority to the city manager. He/she has purchasing authority up to \$10,000. Beyond that amount requires approval by the city council

Recommendation #2 – None

Finding #3 - Within the Administrative Policy Instructions are guidelines for the bid process. The amount of the bid determines which procedure is to be used.

- a. When the estimated bid amount is \$10,000 or more, written RFP's are prepared by the initiating department that includes specifications, requirements and timelines. Formal RFP's are advertised in print media. Any change or alteration to announced RFP is strictly limited. Bids are due and opened in the city clerk's office on the specified day and award is made by the city council.
- b. When purchases are less than \$10,000, they are the responsibility of the city manager and initiating department and are categorized as follows:

1. Competitively-Bid Purchases. Purchases less than \$500 and more than \$10,000 require competitive bidding except when no competitive bids have been received, city council has rejected all bids or when the majority of the city council determines that it is in the best interest of the city to suspend competitive bidding. Process time of competitive bid may be between four to five weeks.
2. Discretionary Purchases. Purchases less than \$500. may be initiated by a department and do not require bidding but competitive bidding may be used by following finance department policies and procedures.
3. Petty Cash Purchases. Purchase less than \$50. and are governed by the finance department policies and procedures.

Recommendation #3 – None

Finding #4 – The Administrative Policy suggests that interested vendors may direct a letter of interest to the city clerk and the information shall be forwarded to the appropriate city department. Previous vendors, yellow pages and the internet are also used.

Recommendation #4 – Include on the city webpage, a form for vendors to input their business information so that a current and accurate data base will be in place for the bidding process.

City of Vallejo

Finding #1 – On July 1, 2004, the Purchasing Division was eliminated due to budget reductions. At the time of the writing of this report (February 2005), the Finance Department was in the process of revising the City's purchasing ordinance to reflect the change in organization and responsibilities.

Recommendation #1 – The City of Fairfield's decentralization model should be considered when revising the purchasing ordinance.

Finding #2 – In accordance with the City of Vallejo Municipal Code, (Chapter 3.20.080), competitive bidding or the public solicitation of bids are not required for purchases of supplies and services that do not exceed \$25,000. However, soliciting quotations for contracts or purchases under \$25,000 is encouraged.

Recommendation #2 – Departments making purchases under \$25,000 without using the formal bid process may not provide the city with the lowest possible cost commensurate with quality. It is recommended that the responsible department solicit no less than three bids for purchases estimated to be from \$5,000 to \$25,000. This procedure is found in other Solano County cities.

Finding #3 - When it is determined that the formal bid process is appropriate, the following takes place:

- a. The affected department prepares RFP specifications and contracts which are reviewed by the Risk Manager and City Attorney.
- b. RFP's are provided to vendors on existing vendor list, posted on the city web page, listed on Builders' exchanges (when appropriate) and consultant data base maintained in the Public Works Department.
- c. RFP's contain specifications, timelines, bonding if necessary, insurance and other necessary requirements.

- d. Sealed bids are submitted to the city clerk's office and opened on the prescribed date by the City Clerk with a representative of the originating department.
- e. The bids are analyzed by the department and recommended to the city council for approval.

Recommendation #3 – All formal RFP's should be advertised in the print media and on the city webpage.

City of Suisun City

Finding #1 – In September 1996, the City of Suisun City Council adopted an Administrative Directive relating to Purchasing Policy. The policy was amended in June 2001.

Recommendation #1 – None

Finding #2 – The City Manager or a “designated representative” acts as Purchasing Officer for the city. For expenditures over \$5,000 but less than \$25,000, the Purchasing Officer may publish a notice inviting bids in a newspaper of general circulation. For expenditures greater than \$25,000, a notice is published in a newspaper of general circulation at least once and at least 10 days prior to the bid opening date

Recommendation #2 – All formal RFP's should be advertised in the print media and on city webpage.

Finding #3 - Within the Administrative Policy Instructions are procedures for all purchases. The amount of the bid determines which procedure is to be used.

- a. Purchases of less than \$1,000 require the ordering department to submit a written request on approved requisition forms describing materials or items to be purchased and the quantity. Purchases can be approved by the appropriate Department Head, Purchasing Officer or their designee(s).
- b. Purchases of more than \$1,000 and less than \$5,000 use the same procedures in the above section. In addition, these requests must be accompanied by a “Comparative Quote Sheet” identifying the items or services to be purchased the date, name and three vendors' telephone numbers and cost comparison or cover memo. This must be attached to the Purchase Order Form. Purchase orders up to \$2,000 may be approved by the Department Head if authority is granted by the Purchasing Officer.
- c. Purchases of more than \$5,000 and less than \$25,000 are written by contract and authorized by Purchase Order. A notice inviting bids describing supplies or equipment to be purchased, the date and location of bid opening are solicited from prospective bidders known to the Purchasing Officer. At the discretion of the Purchasing Officer, a notice inviting bids may be published in a newspaper of general circulation. Sealed bids are submitted to the city clerk and identified as bids on the envelopes. They are opened in public as stated in the notice.
- d. Purchases of \$25,000 or more use the same procedures as above, in addition, a public notice is required. Sealed bids are submitted to the city clerk. Bids are opened in public as stated in the public notice. A tabulation of all bids is conducted by the City Clerk and maintained for public review. The city council makes the final award.

Recommendation #3 - a) All formal RFP's should be advertised in the print media and on city webpage.
b) Include on city webpage, a form for vendors to input their business information so that a current and accurate data base will be in place for the bidding process.

City of Vacaville

Finding #1 – In April 2000, the City of Vacaville developed the Purchasing Policies and Procedures Manual, under the authority of Chapter 2.68 of the Vacaville Municipal Code.

Recommendation #1 - None

Finding #2 – The City Manager is designated as the purchasing officer and may delegate the administration of such authority to subordinates. Budgeted services, material, supplies and equipment greater than \$25,000 must be authorized by department head or department designee. City council approval is needed for non-budgeted items over \$25,000.

Recommendation #2 – None

Finding #3 – The manual states the policy for the RFP process. The amount of the RFP determines the process to be used. Approval authority has been assigned throughout the organization as determined by level of responsibility. Each department head determines who is authorized to initiate purchases and at what level they are authorized to approve.

- a. Purchasing cards are used for purchases under \$1,000.
- b. Purchase request forms, which generate a purchase order, are used for purchases over \$1,000.
- c. For purchases more than \$1,000 and less than \$3,000, competitive bids are used whenever practical.
- d. When in the best interest of the city, competitive bids are obtained for amounts \$3,000 - \$25,000, purchased by purchase order or contract.
- e. For budgeted purchases greater than \$25,000, the bid procedure is required. The Policies and Procedures Manual calls for "Advertising for sealed bids or [for] proposal as deemed appropriate."
- f. Public construction contracts, which are administered by the public works department, have separate bid guidelines that clearly define when and how advertising is done for RFP procedures.

Recommendation # 3 – All formal RFP's should be advertised in the print media and on city webpage.

Finding #4 – Local preference is the practice of buying from certain suppliers/contractors because they are also local taxpayers. All orders/contracts are awarded on the basis of quality, previous performance, ability to meet the contractual requirements, availability of service and parts, delivery schedule, and payment terms/discounts. When all these factors are equal except price, a preference will be given to local vendors when deemed to be in the best interest of the City and when not otherwise prohibited. Internet purchases are restricted to those situations involving significant time and/or cost savings or when the product is not otherwise available locally.

Recommendation #4 – None.

Finding #5 – Current bid opportunities are advertised on the city’s website.

Recommendation #5 – Advertising RFP’s on the city’s website should be included in the Purchasing Policies and Procedures Manual.

Finding # 6 - The Purchasing Policies and Procedures Manual is a confusing compilation of established policies and procedures which makes it difficult to understand city policies.

Recommendation #6 – The Purchasing Policies and Procedures Manual needs to be rewritten to organize and clarify the City’s purchasing policies to include requirements for advertising for sealed bids and a definition of what is in the best interest of the city.

Comments

The City of Vacaville is to be commended for incorporating local preference into their Purchasing Policies and Procedures Manual.

City of Rio Vista

Finding #1 – In May 2004, the City of Rio Vista City Council adopted Ordinance 604 which amended Chapter 20 of the Municipal Code to include Rio Vista Purchasing Policies and Procedures.

Recommendation #1 – None

Finding #2 – The procurement and purchasing procedures give purchasing authority to the City Manager up to \$5,000. Any purchase over that amount requires the formal bid process and approval by city council.

Recommendation #2 – None

Finding #3 – The formal bid process used for amounts over \$5,000. RFP’s are prepared by the requesting department and include specifications, requirements and timelines. RFP’s are reviewed by the City Attorney prior to advertising in local newspapers, posting on city hall public notice board and mailings to vendors. All bids are opened by the City Clerk on the day specified in the RFP. Bids are awarded to lowest responsible bidder by the city council.

Recommendation #3 – The city should consider the City website as another means of advertising.

Finding #4 – Purchases greater than \$1,000 but less than \$5,000 require signatures of department head and city manager. The finance director authorizes purchases for less than \$1,000.

Recommendation #4 – None

City of Fairfield

Finding #1 - The City of Fairfield’s purchasing process for supplies and services are established by City Ordinance, Code Section 28. The purchasing section of the City’s Administrative Policy was updated on July 1, 2004.

Recommendation #1 – None

Finding #2 - The City's Purchasing Officer is the head of the Purchasing Division who reports to the City Manager through the Finance Director. The maximum expenditure that can be authorized by the Purchasing Officer without city council approval is currently \$19,609. This amount is adjusted each year based on a cost of living index.

Recommendation #2 – None

Finding #3 - The City's purchasing process is decentralized so that individual departments can manage their own purchasing, subject to the purchasing policy and their expenditure limits within the city council-approved budget.

Recommendation #3 – None

Finding #4 - Formal bids are required if the value of the goods or services exceeds the currently adjusted maximum (\$19,609). Each department is responsible for specifying the items or services to be purchased, the time, date and place for opening of the bids and placing items on the Council Agenda for bid call. The city council must approve the invitations to bid. The department prepares and mails invitations to bid to appropriate vendors. The department receives, opens, and logs bids at the appointed time, reviews all bids and submits them with their recommendations to the City Manager for inclusion on the next Council agenda for approval and awarding of the bid.

Recommendation #4 - All formal invitations to bid (RFP's) should be advertised in the print media and on city webpage.

Finding #5 - The City of Fairfield uses several avenues to advertise RFP's. The City maintains a bidder's list, places notices in trade publications and journals, uses the on-line services of DemandStar by Onvia, and places ads in local print media. For major architectural or engineering projects, RFP's may also be placed on the City's website.

Recommendation #5 - Include on city webpage a form for vendors to input their business information so that a current and accurate data base will be in place for the bidding process.

Finding #6 Informal bidding is generally used for purchases over \$1,000 but under the currently adjusted maximum (\$19,609). Individual staff members in the departments are given specific levels of authority to obtain price quotes, approve and process purchases. Written quotations are required.

Recommendation #6 - None

Finding # 7 - Purchases under \$1,000 are made by authorized department staff and are subject to oversight by supervisors and managers.

Recommendation #7 - None

V. General Comments

The Grand Jury strongly suggests that each public agency solicit bids and give preference to their respective communities within the allowable guidelines set forth by ordinance. The Grand Jury also encourages the procurement and purchasing of recycled products or those with recycled contents.

VI. Affected Agencies

- City of Benicia
- City of Dixon
- City of Fairfield
- City of Rio Vista
- City of Suisun City
- City of Vacaville
- City of Vallejo
- Solano County Board of Supervisors